

**CHASSELL TOWNSHIP SCHOOLS**  
**CHASSELL, MICHIGAN**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**

**June 30, 2006**

## **TABLE OF CONTENTS**

<b>AUDITOR'S REPORTS</b>	<b><u>Page</u></b>
Independent Auditor's Report .....	4
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Audit Standards .....	6
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>	<b>7</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Assets .....	14
Statement of Activities .....	15
<u>Fund Financial Statements:</u>	
Governmental Funds:	
Balance Sheet .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	17
Fiduciary Funds - Statement of Fiduciary Net Assets .....	18
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>19</b>
<b>REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION</b>	
Budgetary Comparison Schedule - General Fund .....	32
<b>OTHER SUPPLEMENTAL FINANCIAL INFORMATION</b>	
<u>Major Governmental Funds</u>	
General Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances .....	34
Debt Retirement Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances .....	36

**TABLE OF CONTENTS**  
**(Continued)**

	<u>Page</u>
<b><u>Non-Major Governmental Funds</u></b>	
Combining Balance Sheets .....	37
Capital Projects Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances .....	38
School Food Service Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances .....	39
Athletic Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances .....	40
<b><u>Fiduciary Funds</u></b>	
Trust and Agency Fund - Statement of Changes in Assets and Liabilities .....	41
<b>LETTER OF COMMENTS AND RECOMMENDATIONS .....</b>	<b>42</b>



**Bruce A Rukkila, CPA, PC**

*Full Service Accounting Firm  
for the Western Upper Peninsula*

310 Shelden Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.bruцерukkila.com

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Chassell Township Schools  
Chassell, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chassell Township Schools as of and for the year then ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Chassell Township Schools's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chassell Township Schools as of June 30, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2006 on our consideration of Chassell Township Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Chassell Township Schools' basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplemental Financial Information listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the Chassell Township Schools'. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

August 23, 2006



Bruce A Rukkila, CPA, PC

Full Service Accounting Firm  
for the Western Upper Peninsula

310 Shelden Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.bruцерukkila.com

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Chassell Township Schools  
Chassell, Michigan

We have audited the general purpose financial statements of Chassell Township Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated August 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Chassell Township Schools' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Chassell Township Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the School District's Board of Education, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

August 23, 2006

**Chassell Township Schools**  
**Management's Discussion and Analysis**  
**June 30, 2006**

---

This section of Chassell Township Schools annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follows this section.

**Financial Highlights**

The District's General Fund ended the year within budget. However, the fund balance decreased by \$223,554 to \$1,202,846. This is the fourth consecutive year that the fund balance decreased. For the year, expenditures for the General Fund totaled \$2,413,349 and revenue totaled \$2,288,041.

There are three main contributing factors for the decreasing fund balance. First off, student enrollment decreased again this year. Four years ago our fall count was 312 and this fall it was 289. That is a decrease of 23 students. That corresponds to a significant decrease in State Aid funding with the foundation allowance only increasing by \$375 in the last four years. For the same time period, the retirement rate, which is set by the state, increased from 12.17% to 16.34%. That is a 4.17% increase. The monthly health insurance premium for teachers increased from \$673 month to \$1,150 per month, representing a 42% increase. The district continues to monitor expenses closely and to look at ways to increase enrollment.

**Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

*Statement of Net Assets and the Statement of Activities*

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Chassell Township Schools**  
**Management's Discussion and Analysis**  
**June 30, 2006**

---

**Overview of the Financial Statements - Continued**

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Retirement Funds, Capital Project Fund, School Food Service Fund, and Athletic Fund.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund and Debt Retirement Fund meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management's Discussion and Analysis, provides information about the required budgetary comparison information on the General Fund.
- Other supplementary information provides detailed information about the General, Capital Projects, School Food Service, and Athletic Funds.

**Chassell Township Schools**  
**Management's Discussion and Analysis**  
**June 30, 2006**

---

**Summary of Net Assets**

	2006	2005
<b>Assets</b>		
Current and other assets	\$ 1,556,732	\$ 1,760,067
Restricted investments	147,120	42,505
Capital assets - Net of accumulated depreciation	2,741,513	2,832,521
<b>Total Assets</b>	<b>\$ 4,445,365</b>	<b>\$ 4,635,093</b>
<b>Liabilities</b>		
Current liabilities	\$ 790,594	\$ 689,016
Long-term liabilities	2,741,899	2,866,553
<b>Total Liabilities</b>	<b>3,532,493</b>	<b>3,555,569</b>
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	(486,237)	(482,621)
Restricted	147,120	61,543
Unrestricted	1,251,989	1,500,602
<b>Total net assets</b>	<b>912,872</b>	<b>1,079,524</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,445,365</b>	<b>\$ 4,635,093</b>

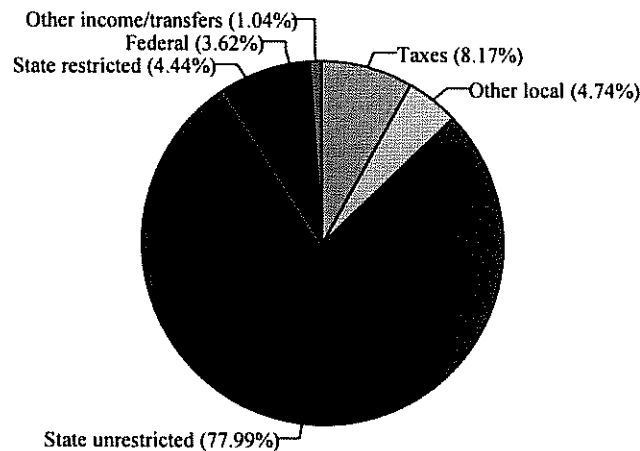
**Results of Operations in Governmental Activities**

	2006	2005
<b>Program Revenue:</b>		
Charges for services	\$ 132,965	\$ 133,256
Grants and contributions	253,203	264,101
<b>General Revenue:</b>		
Property taxes	474,242	483,877
State foundation allowance	1,788,096	1,873,489
Other	81,284	32,425
<b>Total Revenue</b>	<b>2,729,790</b>	<b>2,787,148</b>
<b>Functions/Program Expenses</b>		
Instruction	1,691,275	1,646,601
Support services	817,315	833,872
Capital projects	51,710	14,689
School food services	148,839	147,167
Athletics	67,335	74,957
Interest on long-term debt	119,397	122,043
Other debt	225	604
<b>Total Expenses</b>	<b>2,896,096</b>	<b>2,839,933</b>
<b>Change in Net Assets</b>	<b>(166,306)</b>	<b>(52,785)</b>
<b>Net Assets - Beginning</b>	<b>1,079,178</b>	<b>1,132,309</b>
<b>Net Assets - Ending</b>	<b>\$ 912,872</b>	<b>\$ 1,079,524</b>

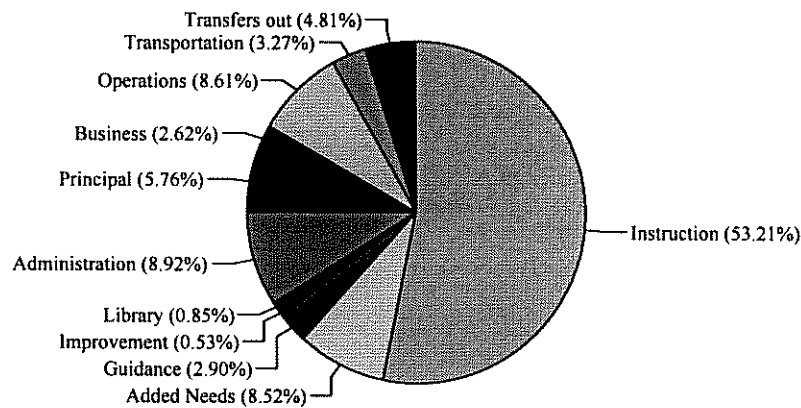
Chassell Township Schools  
Management's Discussion and Analysis  
June 30, 2006

The following charts highlight the District's General Fund activities:

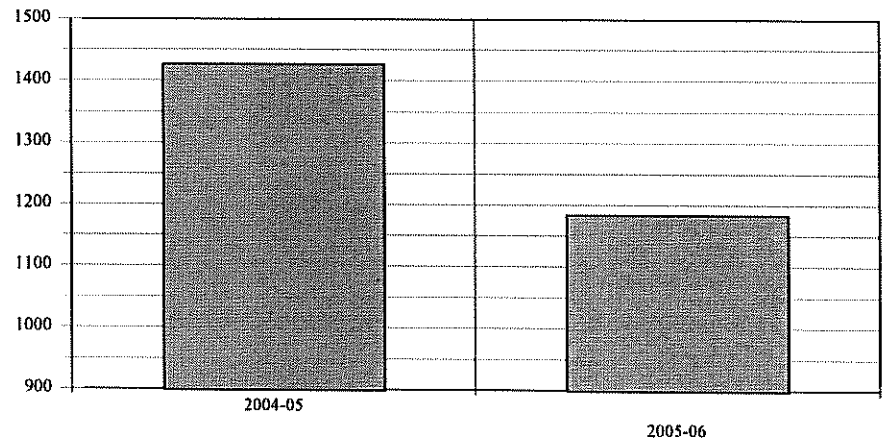
2005-06 Revenues



2005-06 Expenditures



Fund Balance Comparison



**Chassell Township Schools**  
**Management's Discussion and Analysis**  
**June 30, 2006**

---

**Significant Transactions and Changes in Individual Funds**

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 2,311,847	\$ 2,366,424	\$ (54,577)
Expenditures/Transfers	\$ 2,535,401	\$ 2,505,027	\$ 30,374
Fund Balance	\$ 1,183,749	\$ 1,426,400	\$ (242,651)
Debt Retirement Fund:			
Revenues/Transfers	\$ 313,936	\$ 286,445	\$ 27,491
Expenditures/Transfers	\$ 210,200	\$ 292,226	\$ (82,026)
Fund Balance	\$ 165,279	\$ 61,543	\$ 103,736
Capital Projects Fund:			
Revenues/Transfers	\$ 53,962	\$ 50,966	\$ 2,996
Expenditures/Transfers	\$ 51,710	\$ 14,689	\$ 37,021
Fund Balance	\$ 84,404	\$ 82,152	\$ 2,252
School Food Service Fund:			
Revenues/Transfers	\$ 150,907	\$ 154,343	\$ (3,436)
Expenditures/Transfers	\$ 150,907	\$ 154,343	\$ (3,436)
Fund Balance	\$ 0	\$ 0	\$ 0
Athletic Fund:			
Revenues/Transfers	\$ 61,986	\$ 69,608	\$ (7,622)
Expenditures/Transfers	\$ 61,986	\$ 69,608	\$ (7,622)
Fund Balance	\$ 0	\$ 0	\$ 0

General Fund - The main decrease in revenue is related to a decrease in state aid, which is a result of decreased enrollment.

Debt Retirement Fund - The Debt Retirement Fund collects property taxes and receives interest earnings on bank deposits to finance the payment of interest and principal on bond issue-related debt of the District. This is the third year the District did not have to borrow from the School Bond Loan Fund in order to make the interest and principal payments.

The decrease in expenditures/transfers is the result of not making an extra payment to the School Bond Loan Fund for accrued interest. In the next fiscal year, there will be a payment to the School Bond Loan Fund to reduce the accrued interest.

Capital Projects Fund - The Capital Projects Fund is used for the purpose of setting aside money from the General Fund for future capital purchases, e.g. a bus purchase every other year, building repairs and improvements, and technology updates. By doing this, when a major capital purchase is needed, all the money does not have to come out of the General Fund at one time. This year, a bus and a truck with a plow were purchased through the Capital Projects Fund.

School Food Service Fund - The Food Service program for the District has required operating transfers from the General Fund in recent years. Transfers from General Fund for June 30, 2006 and 2005, were \$11,820 and \$16,305 respectively.

Athletic Fund - The Athletic Fund is supported primarily by operating transfers from the General Fund. This fund also collects revenues in the form of gate receipts. Transfers from General Fund for June 30, 2006 and 2005, was \$51,287 and \$56,739 respectively. These transfers do not reflect any transportation expenditures.

**Chassell Township Schools**  
**Management's Discussion and Analysis**  
**June 30, 2006**

---

**Changes to Budget and Comparison to Actual Results**

The original budget is required to be adopted before the beginning of the fiscal year by State law. For the fiscal year ended June 30, 2006, the original budget was adopted on June 12, 2005. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances, therefore the District amends the budget twice during the fiscal year.

The increased amount budgeted for local revenue is due mainly to interest income being higher than originally expected.

Student enrollment ended up being lower than what was estimated at the beginning of the year causing state aid revenue to be lower than expected. This is the main reason for the decrease in the amount budgeted for state revenue.

Our Title and REAP allocations were also less than estimated for the original budget. That is why the final amount budgeted for federal revenue was less than the original budget amount.

The variance between the original and final budget and the final budget and actual is the result of several smaller differences.

For operating transfers out, the final to original budget variance is due to a change in where certain expenses are recorded. The final budget to actual variance is due to the Athletic Fund requiring a smaller transfer from the General Fund than what was expected.

**Capital Assets and Debt Administration**

Capital Assets: The District's net investment in capital assets increased by \$27,286 during the fiscal year with the purchase of a bus, a truck with a plow, and a dishwasher for the School Food Service and the sale of a bus. A capital lease was issued for the dishwasher.

Additional information on the District's capital assets can be found on page 25 of this report.

Long-term Debt: At the end of the current fiscal year, the District's total debt was \$2,861,443. This total amount is backed by the full faith and credit of the District. The District's total debt was decreased by \$135,000 during the fiscal year.

Additional information on the District's long-term debt can be found on page 26 and 27 of this report.

**Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations**

Our elected officials and administration consider many factors when setting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

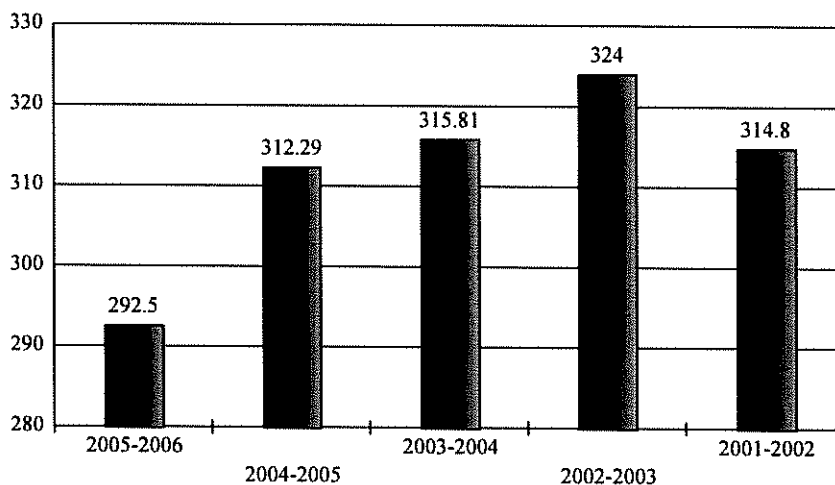
State revenues received by Michigan school districts are approved annually in a State Aid Act. This Act, approved by the State Legislature, provided a foundation amount (amount per student) of \$6,875 for the 2005-06 school year.

Approximately 77 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

**Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations (Continued)**

The graph depicts 6.34% decline in the number of students enrolled from the previous year, using the State Aid Membership Count.

**State Aid Membership Count**



**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Chassell Township Schools.

**CHASSELL TOWNSHIP SCHOOLS****STATEMENT OF NET ASSETS****June 30, 2006**

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 447,622
Investments	692,471
Taxes receivable	45,575
Accounts receivable	20,368
Inventory	4,478
Prepaid expense	875
Due from other governmental units	<u>345,343</u>
TOTAL CURRENT ASSETS	<u>1,556,732</u>
NON-CURRENT ASSETS:	
Restricted cash	147,120
Capital assets	4,348,859
Less: Accumulated depreciation	<u>(1,607,346)</u>
TOTAL NON-CURRENT ASSETS	<u>2,888,633</u>
TOTAL ASSETS	<u>\$ 4,445,365</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 22,673
Accrued expenses	219,203
Accrued interest	366,307
Deferred revenue	9,447
Notes payable within one year	708
Bonds payable within one year	<u>135,000</u>
TOTAL CURRENT LIABILITIES	<u>753,338</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	1,945,000
Installment loans payable, due in more than one year	2,478
Compensated absences	16,164
School Bond Loan Fund payable	<u>778,257</u>
TOTAL NON-CURRENT LIABILITIES	<u>2,741,899</u>
TOTAL LIABILITIES	<u>3,495,237</u>
NET ASSETS:	
Invested in capital assets, net of related debt	(486,237)
Restricted for debt service	165,279
Unreserved	<u>1,271,086</u>
TOTAL NET ASSETS	<u>950,128</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,445,365</u>

The accompanying notes to financial statements are an integral part of this statement.

**CHASSELL TOWNSHIP SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2006**

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Government Activities:				
Instruction and instructional support	\$ 1,691,275	\$ 54,977	\$ 184,945	\$ (1,451,353)
Support services	817,315	-	-	(817,315)
Capital Projects	51,710	-	-	(51,710)
School food service	148,839	67,289	68,258	(13,292)
Athletics	67,335	10,699	-	(56,636)
Interest on long-term debt	119,397	-	-	(119,397)
Other debt service	225	-	-	(225)
Total Governmental Activities	<u>\$ 2,896,096</u>	<u>\$ 132,965</u>	<u>\$ 253,203</u>	<u>(2,509,928)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operation:				206,354
Property taxes, levied for debt service				305,144
Other taxes				546
State school aid - unrestricted				1,788,096
Interest and investment earnings				44,179
Other				23,086
Transfers				<u>13,473</u>
Total general revenues and transfers				<u>2,380,878</u>
Change in Net Assets				(129,050)
Net Assets - Beginning				<u>1,079,178</u>
Net Assets - Ending				<u>\$ 950,128</u>

The accompanying notes to financial statements are an integral part of this statement.

**CHASSELL TOWNSHIP SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**June 30, 2006**

	General	Debt Retirement Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 362,633	\$ -	\$ 84,989	\$ 447,622
Investments	692,471	-	-	692,471
Taxes receivable	26,061	19,514	-	45,575
Accounts receivable	18,145	-	2,223	20,368
Inventory	-	-	4,478	4,478
Prepaid expense	875	-	-	875
Due from other governmental units	344,370	-	973	345,343
Due from other funds	1,671	-	1,072	2,743
Restricted cash	-	147,120	-	147,120
<b>TOTAL ASSETS</b>	<b>\$ 1,446,226</b>	<b>\$ 166,634</b>	<b>\$ 93,735</b>	<b>\$ 1,706,595</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 22,673	\$ -	\$ -	\$ 22,673
Accrued expenses	212,671	-	6,532	219,203
Due to other funds	1,072	-	1,671	2,743
Deferred revenue	6,964	1,355	1,128	9,447
<b>TOTAL LIABILITIES</b>	<b>243,380</b>	<b>1,355</b>	<b>9,331</b>	<b>254,066</b>
<b>FUND BALANCES:</b>				
Reserved	-	165,279	-	165,279
Unreserved	1,202,846	-	84,404	1,287,250
<b>TOTAL FUND BALANCES</b>	<b>1,202,846</b>	<b>165,279</b>	<b>84,404</b>	<b>1,452,529</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,446,226</b>	<b>\$ 166,634</b>	<b>\$ 93,735</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,741,513
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(2,877,607)
Accrued interest is not included as a liability in governmental funds.	(366,307)
Net assets of governmental activities	<u>\$ 950,128</u>

The accompanying notes to financial statements are an integral part of this statement.

**CHASSELL TOWNSHIP SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**

	General Fund	Debt Retirement Fund	Other Non-major Governmental Funds	Totals
<b>REVENUES:</b>				
Local sources	\$ 315,000	\$ 313,936	\$ 79,060	\$ 707,996
State sources	1,889,956	-	8,529	1,898,485
Federal sources	83,085	-	59,729	142,814
Total revenues	<u>2,288,041</u>	<u>313,936</u>	<u>147,318</u>	<u>2,749,295</u>
<b>EXPENDITURES:</b>				
Instruction	1,565,179	-	-	1,565,179
Supporting services	848,170	-	-	848,170
Debt service	-	75,200	-	75,200
Capital projects	-	-	51,710	51,710
School food service	-	-	150,907	150,907
Athletics	-	-	61,986	61,986
Total expenditures	<u>2,413,349</u>	<u>75,200</u>	<u>264,603</u>	<u>2,753,152</u>
Excess (deficiency) of revenue over expenditures	<u>(125,308)</u>	<u>238,736</u>	<u>(117,285)</u>	<u>(3,857)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in (out)	(115,997)	-	115,997	-
Incoming transfers - other schools	19,528	-	-	19,528
Sale of fixed assets	4,278	-	-	4,278
Transfers to other districts	(6,055)	-	-	(6,055)
Lease proceeds	-	-	3,540	3,540
Bond payments	-	(135,000)	-	(135,000)
Total other financing sources (uses)	<u>(98,246)</u>	<u>(135,000)</u>	<u>119,537</u>	<u>(113,709)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(223,554)</b>	<b>103,736</b>	<b>2,252</b>	<b>(117,566)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,426,400</u>	<u>61,543</u>	<u>82,152</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,202,846</u>	<u>\$ 165,279</u>	<u>\$ 84,404</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(91,008)
Accrued expenses are recorded in the statement of activities when incurred it is not reported in governmental funds until paid	(52,290)
Capital lease proceeds provide current financial resources is an expenditure in the governmental funds, but not in the statement of activities (where it increases long-term debt)	3,540
Repayment of bond/lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>(135,354)</u>
Change in net assets of governmental activities	<u>\$ (129,050)</u>

The accompanying notes to financial statements are an integral part of this statement.

**CHASSELL TOWNSHIP SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

	<u>Fiduciary Fund</u>
ASSETS:	
Cash and investments	\$ <u>36,562</u>
LIABILITIES:	
Due to student groups	\$ <u>36,562</u>

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Chassell Township Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

**REPORTING ENTITY**

Chassell Township Schools (the "District") is governed by the Chassell Township Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United State of America. Board members are elected by the public and have decision-making authority, the power to designated management, the ability to significantly influence operations, and the primary accountability for fiscal manners. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does not allocate indirect costs.

The government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Other non-major funds:

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, and Athletic Activities.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the School District's capital structures.

Fiduciary Fund - The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund is used to account for assets that the District holds for others in an agency capacity (primary student activities). Fiduciary funds are not included in the government-wide statements.

**Accrual Method**

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

*Other Accounting Policies*

Cash and cash equivalents

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standard also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

State statutes authorizes the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, banker's acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

Property taxes levied by the District are collected by Chassell Township and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General fund - Non-homestead	18.00
Debt service fund - Homestead and non-homestead	7.65

Receivables and Payables

Activity between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

Inventory in the School District's Special Revenue Fund consists of food, a la carte items, and USDA Commodities totaling \$4,478. The School District utilizes the consumption method of recording inventories of food supplies in the School Food Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

All other funds utilize the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets

Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Accrued Benefits**

The liabilities for accrued benefits reported in the government-wide statements in the amount of \$16,164, consisted of sick leave balances and retirement incentives.

**Sick Leave** - Substantially all District employees are allowed to accumulate sick days to a maximum of 160 days. Employees with over twenty-five years of employment are paid \$15 per day for accrued sick days upon retirement. At June 30, 2006, accumulated unpaid sick leave was \$5,164.

**Retirement Incentive** - The District's contract with the Copper Country Education Association includes a retirement incentive payment to retiring teachers when the number of years of service to the District and one's age total 80. The maximum benefit is \$5,000 and is reduced each year after eligibility by \$1,000 until zero is reached. As of June 30, 2006, there were two teachers who qualified for the early retirement incentive. The potential liability to the District at June 30, 2006 was \$11,000.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE C - CASH AND INVESTMENTS**

As of June 30, 2005 the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Rating	%
MILAF - MICMS	\$ 550	.0837	AAA	0.08%
MILAF - MIMAX	691,921	.0837	AAA	99.92%
	<u>\$ 692,471</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>.0837</u>		

1 day maturity equals 0.0027, one year equals 1.00

**Interest Rate Risk** - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit Risk** - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of Credit Risk** - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial Credit Risk - Deposits** - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$522,637 of the District's bank balance of \$636,730 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial Credit Risk - Investments** - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

**NOTE C - CASH AND INVESTMENTS (Continued)**

At year-end, the School District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the School District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 447,312	\$ 0	\$ 447,312
Petty cash	310	0	310
Total unrestricted	447,622	0	447,622
Restricted cash	147,120	36,562	183,682
Total cash and cash equivalents	594,742	36,562	631,304
Investments	692,471	0	692,471
Total deposits and investments	\$ 1,287,213	\$ 36,562	\$ 1,323,775

**NOTE D - FIXED ASSETS**

Fixed Asset activity of the School District's governmental activities was as follows:

	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Land	\$ 60,002	\$ 0	\$ 0	\$ 60,002
Building and additions	3,200,989	0	0	3,200,989
Improvements other than building	417,775	0	0	417,775
Equipment and furniture	446,146	3,540	0	449,686
School buses	196,661	38,300	27,964	206,997
Vehicles	0	13,410	0	13,410
Subtotal	4,321,573	55,250	27,964	4,348,859
Accumulated depreciation:				
Building and additions	839,749	76,782	0	916,531
Improvements other than building	250,615	20,874	0	271,489
Equipment and furniture	234,670	31,955	0	266,625
School buses	164,018	15,669	27,964	151,723
Vehicles	0	978	0	978
	1,489,052	146,258	27,964	1,607,346
Net capital assets	\$ 2,832,521	\$ (91,008)	\$ 0	\$ 2,741,513

Depreciation expense was charged to governmental activities of the School District as follows:

Athletic	\$ 5,349
School Food Service	1,826
Instruction	118,228
Operations	5,187
Transportation	15,668
TOTAL	\$ 146,258

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

**NOTE E - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2006 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 1,671	General	\$ 1,072
School Food Service	0	School Food Service	1,671
Athletic	1,072	Athletic	0
<b>TOTAL</b>	<b>\$ 2,743</b>	<b>TOTAL</b>	<b>\$ 2,743</b>

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	\$ 0	General	\$ 115,997
Capital Projects	52,890	Capital Projects	0
School Food Service	11,820	School Food Service	0
Athletic	51,287	Athletic	0
<b>TOTAL</b>	<b>\$ 115,997</b>	<b>TOTAL</b>	<b>\$ 115,997</b>

**NOTE F - LONG TERM DEBT**

2004 Advance Refunding

On February 9, 2004, the School District issued \$2,350,000 of unlimited tax general obligation bonds to advance refund \$2,255,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to pay off the 1994 Advance Refunding Bonds dated January 12, 1994 and the 1995 School Building and Site Bonds dated March 1, 1995.

The bond issue (denominations of \$5,000) matures as indicated below with interest at varying rates of 2.00% to 4.25% per annum. Interest payments started on May 1, 2004, and are payable semi-annually on May 1 and November 1 as indicated. The bonds are to be both term and serial. Bonds or portions of bonds maturing on or after May 1, 2015, shall be subject to redemption at the option of the School Board in multiples of \$5,000 in such order as the School District may determine, by lot within any maturity, on any date occurring on or after May 1, 2014, at par and accrued interest to the date fixed for redemption.

<u>Payable School Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2006-2007	\$ 36,138	\$ 36,138	\$ 135,000	\$ 207,276
2007-2008	34,788	34,788	135,000	204,576
2008-2009	33,100	33,100	135,000	201,200
2009-2010	31,075	31,075	135,000	197,150
2010-2011	29,050	29,050	140,000	198,100
2011-2012	26,950	26,950	140,000	193,900
2012-2013	24,710	24,710	140,000	189,420
2013-2018	85,330	85,330	700,000	870,660
2018-2021	17,745	17,745	420,000	455,490
<b>TOTAL</b>	<b>\$ 318,886</b>	<b>\$ 318,886</b>	<b>\$ 2,080,000</b>	<b>\$ 2,717,772</b>

School Bond Loan Fund

During the year ended June 30, 2006, the School District did not borrow funds from the Michigan School Bond Loan Fund. In accordance with Act 108, Public Acts of Michigan, 1961, as amended, the State of Michigan can loan the school district funds to make debt payments if, for any reason, the district is unable to pay the principal and interest on bonds when due. At June 30, 2006, the balance due to the School Bond Loan Fund was \$1,138,541 including accrued interest of \$360,284.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

**NOTE F - LONG TERM DEBT (Continued)**

The loans will be repaid from taxes levied for that purpose. Repayment will commence subsequent to the repayment of the School District's 1995 bond issue. However, repayments shall be made earlier if taxes levied and collected in any particular year exceed those required to repay the bonds. The interest rate associated with loans from the school bond loan fund is established periodically by the State Administrative Board. The rate at June 30, 2006 was 4.5%.

Capital Lease Agreements

On December 12, 2005, the District entered into a capital lease agreement with Reinhart Foodservice in the amount of \$3,540 for an American Dish Service L-90-3DW dishwasher. This lease has fixed monthly payments of \$59 which does not include interest. The lease will expire in December 2010, at which time the District will legally own the dishwasher. As of 6/30/06, the District made payments totaling \$354. The following is a schedule of the lease payments:

Payable School Year	Total
2006-2007	\$ 708
2007-2008	708
2008-2009	708
2009-2010	708
2010-2011	354
<b>TOTAL</b>	<b>\$ 3,186</b>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2006:

	Balance June 30, 2005	Increase	Decrease	Balance June 30, 2006	Current Portion
Bonds	\$ 2,215,000	\$ 0	\$ 135,000	\$ 2,080,000	\$ 135,000
Capital Lease	0	3,186	0	3,186	708
School Bond Loan	778,257	0	0	778,257	0
	<u>2,993,257</u>	<u>3,186</u>	<u>135,000</u>	<u>2,861,443</u>	<u>\$ 135,708</u>
Accrued Interest	321,885	44,422	0	366,307	
Accrued Benefits	8,296	7,868	0	16,164	
<b>TOTAL</b>	<b>\$ 3,323,438</b>	<b>\$ 55,476</b>	<b>\$ 135,000</b>	<b>\$ 3,243,914</b>	

As of June 30, 2006, the aggregate maturities of long-term debt for the next five years are as follows:

Payable School Year	Interest	Principal	Total
2006-2007	72,276	135,708	207,984
2007-2008	69,576	135,708	205,284
2008-2009	66,200	135,708	201,908
2009-2010	62,150	135,708	197,858
2010-2011	58,100	140,354	198,454
2011-2012	53,900	140,000	193,900
2012-2013	49,420	140,000	189,420
2013-2018	170,660	700,000	870,660
2018-2021	391,954	1,198,257	1,590,211
<b>TOTAL</b>	<b>\$ 994,236</b>	<b>\$ 2,861,443</b>	<b>\$ 3,855,679</b>

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE G - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or at age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 14.87% of covered compensation through September 30, 2005 and 16.34% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$266,655, which consisted of \$227,136 from the District and \$39,519 from employees electing the MIP option. These represent approximately 15.50% and 2.69% of covered payroll, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2006 was approximately \$1,465,140. The District's total payroll was approximately \$1,453,630.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MPERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2005 for the MPERS as a whole, the actuarial accrued liability was \$46.3 billion. The pension plan net assets were \$39.3 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 84.88%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2006 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPERS' September 30, 2005 annual report.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE H - RESERVED FUND BALANCE**

The Debt Retirement Fund has a reserved fund balance for the retirement of debt.

**NOTE I - FOUNDATION REVENUE**

Effective as of fiscal year 1994-95 the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. The foundation allowance is based on the average of pupil membership counts taken in February and September of the previous year.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The school district levies 18 mills for non-homestead property taxes. State revenue recognized during the foundation period (currently the fiscal year) is as follows:

2005-06 Foundation	\$	6,875.00
Non-Homestead Tax Value	11,560,907	
Multiplied by mills	<u>0.018</u>	
Total Local Support	208,096	
Divided by General Education K-12 membership	<u>290.07</u>	
Calculated Local Support		<u>(717.40)</u>
2005-06 Foundation Grant Allowance Per Pupil	\$	<u>6,157.60</u>

**NOTE J - RECONCILIATION OF R7120 TO REPORTED FEDERAL REVENUES**

The amounts reported as current payments on the R7120, Grant Section Auditors Report prepared by the State of Michigan, reconcile with the federal revenue on the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances on page 17 as follows:

Total current payments per R7120	\$	132,625
Less State grants:		
School Breakfast		(3,356)
Less prior year accounts receivables:		
Title I		(11,461)
Title IIA		(8,187)
Plus:		
USDA Commodities		2,316
Homeland Security grant		2,667
Direct Federal grants		28,210
Total Federal Financial Assistance	\$	<u>142,814</u>

The School District expended less than \$500,000 in Federal awards during the fiscal year ended June 30, 2006 and is exempt from Federal Single Audit requirements, thus a schedule of federal financial assistance was not prepared.

**CHASSELL TOWNSHIP SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2006**

---

**NOTE K - CONTINGENT LIABILITIES**

Risk Pool

Chassell Township Schools is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Chassell Township Schools joined together with other school districts currently operating a common risk management and insurance program. Chassell Township Schools pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Chassell Township Schools continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2006, which can be obtained through the School District

**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**

**CHASSELL TOWNSHIP SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 301,700	\$ 315,596	\$ 315,000	\$ (596)
State sources	1,948,300	1,881,641	1,889,956	8,315
Federal sources	84,600	75,475	83,085	7,610
TOTAL REVENUE	2,334,600	2,272,712	2,288,041	15,329
EXPENDITURES:				
Instruction	1,640,575	1,575,860	1,565,179	10,681
Supporting services	856,900	880,390	848,170	32,220
TOTAL EXPENDITURES	2,497,475	2,456,250	2,413,349	42,901
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(162,875)	(183,538)	(125,308)	58,230
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	10,000	14,600	19,528	4,928
Sale of fixed asset	-	4,270	4,278	8
Operating transfers out	(146,650)	(132,175)	(115,997)	16,178
Other outgoing transfers	-	(6,900)	(6,055)	845
Total other financing sources (uses)	(136,650)	(120,205)	(98,246)	21,959
NET CHANGE IN FUND BALANCE	(299,525)	(303,743)	(223,554)	80,189
FUND BALANCE - BEGINNING OF YEAR	1,343,784	1,426,400	1,426,400	-
FUND BALANCE - END OF YEAR	\$ 1,044,259	\$ 1,122,657	\$ 1,202,846	\$ 80,189

## **SUPPLEMENTAL FINANCIAL INFORMATION**

**CHASSELL TOWNSHIP SCHOOLS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**  
**With Comparative Amounts for Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
REVENUES:				
Local sources:				
Taxes	\$ 209,446	\$ 206,354	\$ 3,092	\$ 198,718
Other local sources:				
Investment revenue	35,000	34,861	139	21,558
Miscellaneous	71,150	73,785	(2,635)	72,565
Total other local sources	106,150	108,646	(2,496)	94,123
Total local sources	315,596	315,000	596	292,841
State sources:				
Unrestricted grant - State Aid	1,784,786	1,788,096	(3,310)	1,873,489
Restricted grants:				
Vocational Education	495	653	(158)	3,168
Service Learning Grant	1,000	1,000	-	3,813
Special Education	29,935	34,833	(4,898)	27,571
At-Risk	65,425	65,374	51	67,270
Other state revenue	-	-	-	62
Total restricted grants	96,855	101,860	(5,005)	101,884
Total state sources	1,881,641	1,889,956	(8,315)	1,975,373
Federal sources:				
Title I	33,100	33,134	(34)	39,245
Title V	1,800	1,876	(76)	2,790
Title II	13,075	12,819	256	14,749
Other federal sources	27,500	35,256	(7,756)	32,014
Total federal sources	75,475	83,085	(7,610)	88,798
TOTAL REVENUES	2,272,712	2,288,041	(15,329)	2,357,012
EXPENDITURES:				
Instruction:				
Basic program:				
Elementary School	519,030	513,242	5,788	509,630
High School	840,915	835,878	5,037	819,603
Total basic program	1,359,945	1,349,120	10,825	1,329,233
Added needs:				
Special Education	100,465	100,811	(346)	95,552
Compensatory education	43,575	42,910	665	41,129
At-Risk	71,875	72,338	(463)	72,132
Total added needs	215,915	216,059	(144)	208,813
Total instruction	1,575,860	1,565,179	10,681	1,538,046

**CHASSELL TOWNSHIP SCHOOLS**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**  
**With Comparative Amounts for Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
Supporting services:				
Pupil:				
Guidance	<u>76,265</u>	<u>73,546</u>	<u>2,719</u>	<u>71,178</u>
Instructional staff:				
Improvement of instruction	<u>14,050</u>	<u>13,467</u>	<u>583</u>	<u>14,512</u>
Library	<u>22,235</u>	<u>21,493</u>	<u>742</u>	<u>21,154</u>
Total instructional staff	<u>36,285</u>	<u>34,960</u>	<u>1,325</u>	<u>35,666</u>
General administration:				
Board of education	<u>44,925</u>	<u>46,004</u>	<u>(1,079)</u>	<u>34,995</u>
Executive administration	<u>183,475</u>	<u>180,126</u>	<u>3,349</u>	<u>181,664</u>
Total general administration	<u>228,400</u>	<u>226,130</u>	<u>2,270</u>	<u>216,659</u>
School administration - Principal	<u>148,930</u>	<u>145,993</u>	<u>2,937</u>	<u>145,245</u>
Business-fiscal services	<u>66,625</u>	<u>66,497</u>	<u>128</u>	<u>62,902</u>
Operation & maintenance	<u>234,730</u>	<u>218,216</u>	<u>16,514</u>	<u>212,620</u>
Pupil transportation	<u>89,155</u>	<u>82,828</u>	<u>6,327</u>	<u>82,419</u>
Total supporting services	<u>880,390</u>	<u>848,170</u>	<u>32,220</u>	<u>826,689</u>
TOTAL EXPENDITURES	<u>2,456,250</u>	<u>2,413,349</u>	<u>42,901</u>	<u>2,364,735</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(183,538)</u>	<u>(125,308)</u>	<u>(58,230)</u>	<u>(7,723)</u>
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	<u>14,600</u>	<u>19,528</u>	<u>(4,928)</u>	<u>9,337</u>
Operating transfer out	<u>(132,175)</u>	<u>(115,997)</u>	<u>(16,178)</u>	<u>(123,044)</u>
Sale of fixed assets	<u>4,270</u>	<u>4,278</u>	<u>(8)</u>	<u>75</u>
Other outgoing transfers	<u>(6,900)</u>	<u>(6,055)</u>	<u>(845)</u>	<u>(17,594)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(120,205)</u>	<u>(98,246)</u>	<u>(21,959)</u>	<u>(131,226)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (303,743)</u>	<u>(223,554)</u>	<u>\$ (80,189)</u>	<u>(138,949)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,426,400</u>		<u>1,565,349</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,202,846</u>		<u>\$ 1,426,400</u>

**CHASSELL TOWNSHIP SCHOOLS**  
**DEBT RETIREMENT FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**  
**With Comparative Amounts for Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
REVENUES:				
Local sources:				
Current taxes	\$ 305,600	\$ 305,144	\$ 456	\$ 282,776
Interest income	7,800	8,246	(446)	1,286
Other taxes	<u>1,925</u>	<u>546</u>	<u>1,379</u>	<u>2,383</u>
TOTAL REVENUES	<u>315,325</u>	<u>313,936</u>	<u>1,389</u>	<u>286,445</u>
EXPENDITURES:				
Interest on bonds	179,000	74,975	104,025	156,622
Other expenses	<u>225</u>	<u>225</u>	<u>-</u>	<u>604</u>
TOTAL EXPENDITURES	<u>179,225</u>	<u>75,200</u>	<u>104,025</u>	<u>157,226</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	136,100	238,736	(102,636)	129,219
OTHER FINANCING SOURCES (USES):				
Redemption of bond principal	<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>	<u>(135,000)</u>
TOTAL OTHER FINANCING SOURCES	<u>(135,000)</u>	<u>(135,000)</u>	<u>-</u>	<u>(135,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING US	<u>\$ 1,100</u>	<u>103,736</u>	<u>\$ (102,636)</u>	<u>(5,781)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>61,543</u>		<u>67,324</u>
FUND BALANCE, END OF YEAR		<u>\$ 165,279</u>		<u>\$ 61,543</u>

**CHASSELL TOWNSHIP SCHOOLS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**June 30, 2006**

	Capital Projects	School Food Service	Athletic	Totals (Memorandum Only)	
				2006	2005
ASSETS AND OTHER DEBITS:					
Cash	\$ 84,404	\$ 60	\$ 525	\$ 84,989	\$ 82,474
Receivables	-	2,223	-	2,223	2,253
Inventory	-	4,478	-	4,478	5,482
Due from other funds	-	-	1,072	1,072	1,266
Due from other governmental units	-	973	-	973	946
<b>TOTAL ASSETS</b>	<b>\$ 84,404</b>	<b>\$ 7,734</b>	<b>\$ 1,597</b>	<b>\$ 93,735</b>	<b>\$ 92,421</b>
LIABILITIES:					
Accrued expenses	\$ -	\$ 4,935	\$ 1,597	\$ 6,532	\$ 5,805
Deferred revenue	-	1,128	-	1,128	1,349
Due to other funds	-	1,671	-	1,671	3,115
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>7,734</b>	<b>1,597</b>	<b>9,331</b>	<b>10,269</b>
FUND EQUITY:					
Fund balance - unreserved	84,404	-	-	84,404	82,152
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$ 84,404</b>	<b>\$ 7,734</b>	<b>\$ 1,597</b>	<b>\$ 93,735</b>	<b>\$ 92,421</b>

**CHASSELL TOWNSHIP SCHOOLS**  
**CAPITAL PROJECTS FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**  
**With Comparative Amounts for Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
REVENUES:				
Local sources:				
Interest	\$ 950	\$ 1,072	\$ (122)	\$ 966
EXPENDITURES:				
Buildings and additions	70,000	51,710	18,290	14,689
TOTAL EXPENDITURES	70,000	51,710	18,290	14,689
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(69,050)	(50,638)	(18,412)	(13,723)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	52,900	52,890	10	50,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ (16,150)	2,252	\$ (18,402)	36,277
FUND BALANCE, BEGINNING OF YEAR		82,152		45,875
FUND BALANCE, END OF YEAR		\$ 84,404		\$ 82,152

**CHASSELL TOWNSHIP SCHOOLS**  
**SCHOOL FOOD SERVICE FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**  
**With Comparative Amounts for Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
REVENUES:				
Local sources:				
Adult lunches	\$ 2,850	\$ 2,876	\$ (26)	\$ 2,483
A-La-Carte	17,500	17,605	(105)	13,330
Student lunches	31,050	31,063	(13)	33,535
Miscellaneous	13,000	15,745	(2,745)	15,271
Total local sources	64,400	67,289	(2,889)	64,619
State sources	8,695	8,529	166	8,126
Federal sources:				
School lunch program	54,000	57,413	(3,413)	61,411
USDA entitlements	3,000	1,781	1,219	3,066
USDA bonus entitlements	800	535	265	816
Total federal sources	57,800	59,729	(1,929)	65,293
TOTAL REVENUES	130,895	135,547	(4,652)	138,038
EXPENDITURES:				
Salaries	48,250	48,484	(234)	46,839
Employee benefits	13,415	13,360	55	10,797
Purchase services	1,875	5,331	(3,456)	956
Supplies, materials, and other	85,200	83,034	2,166	85,745
Capital outlay	705	698	7	10,006
TOTAL EXPENDITURES	149,445	150,907	(1,462)	154,343
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(18,550)	(15,360)	(3,190)	(16,305)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	18,550	11,820	6,730	16,305
Capital lease proceeds	-	3,540	(3,540)	-
TOTAL FINANCING SOURCES (USES)	18,550	15,360	3,190	16,305
EXCESS (DEFICIENCY) OF FINANCING SOURCES (USES) OVER EXPENDITURES	\$ -	-	\$ -	-
FUND BALANCE, BEGINNING OF YEAR		-		-
FUND BALANCE, END OF YEAR		\$ -		\$ -

**CHASSELL TOWNSHIP SCHOOLS**  
**ATHLETIC FUND**  
**STATEMENTS OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2006**  
**With Comparative Amounts for Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2005</u>
REVENUES:				
Local sources:				
Gate receipts	\$ 9,150	\$ 9,209	\$ (59)	\$ 11,117
Other	2,375	1,490	885	1,752
TOTAL REVENUES	<u>11,525</u>	<u>10,699</u>	<u>826</u>	<u>12,869</u>
EXPENDITURES:				
Salaries	34,800	35,040	(240)	35,249
Employee benefits	8,400	8,262	138	7,886
Purchase services	20,600	13,543	7,057	17,876
Supplies, materials, and other	6,950	5,141	1,809	6,108
Capital outlay	1,500	-	1,500	2,489
TOTAL EXPENDITURES	<u>72,250</u>	<u>61,986</u>	<u>10,264</u>	<u>69,608</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(60,725)	(51,287)	(9,438)	(56,739)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>60,725</u>	<u>51,287</u>	<u>9,438</u>	<u>56,739</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ -</u>

**CHASSELL TOWNSHIP SCHOOLS**  
**AGENCY FUND - SCHOOL ACTIVITIES**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended June 30, 2006**

	Balance July 1, 2005	Receipts	Disbursements	Balance June 30, 2006
<b>ASSETS:</b>				
Cash	\$ 43,735	\$ 55,592	\$ 62,765	\$ 36,562
<b>LIABILITIES:</b>				
Due to Student Groups:				
Assembly	\$ 1,194	\$ 4,586	\$ 3,408	\$ 2,372
Class of 2006	11,066	15,044	26,110	0
Class of 2007	6,598	6,260	2,391	10,467
Class of 2008	2,183	1,030	402	2,811
Class of 2009	(200)	1,102	548	354
Class of 2011	676	0	676	0
Class of 2012	0	2,076	1,446	630
Yearbook	3,073	9,505	8,489	4,089
Elementary Fund	5,888	1,276	2,076	5,088
Elementary Playground	277	0	0	277
Homecoming	170	442	450	162
Student Council	578	198	409	367
Van Westenberg	6,000	2,000	2,000	6,000
Littlefield	106	0	0	106
SADD	130	0	0	130
Drama	301	0	0	301
Magazine Fund	4	4,980	4,980	4
Quiz Bowl	295	200	97	398
Band Equipment	28	0	0	28
Band	486	980	951	515
Physics Field Trip	1,371	50	0	1,421
Athletic Fund	3,511	5,863	8,332	1,042
<b>TOTAL LIABILITIES</b>	<b>\$ 43,735</b>	<b>\$ 55,592</b>	<b>\$ 62,765</b>	<b>\$ 36,562</b>



Bruce A Rukkila, CPA, PC

Full Service Accounting Firm  
for the Western Upper Peninsula

310 Shelden Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.bruцерukkila.com

### LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education  
Chassell Township Schools  
Chassell, Michigan

In planning and performing our audit of the financial statements of Chassell Township Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 23, 2006, on the financial statements of Chassell Township Schools.

#### Public Act 738 - Electronic Transactions of Public Funds

The District should be aware of Act 738 - "Electronic Transactions of Public Funds". This Act affects electronic payments and transfers by local unites, including school districts. The Act requires the District to adopt a resolution to authorize use of automated clearinghouse (ACH) arrangements. The District needs to designate an Electronic Transaction Officer, develop a written policy regarding procedures and internal controls, and initiate a board resolution to adopt the ACH policy. The Electronic Transaction Officer that the District chooses will be responsible for the ACH agreements that including payment approval, accounting, reporting, and compliance with the ACH policy.

#### Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the general purpose financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

This report is intended for the information of the School District's Board of Education, the cognizant audit agency, and other federal and state audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

August 23, 2006